British retailer Tesco reveals serious profit error

REUTERS, *London*

Tesco cut its profit forecast for the third time this year on Monday and suspended four members of staff after finding a fault in its accounts, another blow to the reputation of Britain's biggest grocer.

The company's shares fell 12 percent after Tesco said it had called in new accountants to investigate an error that forced it to cut its first-half profit outlook by 250 million pounds ($408.50 million). A profit warning on Aug. 29 had overstated expected first half profit by 23 percent, it said.

The error - caused by an early booking of revenue and delayed recognition of costs - had been discovered during preparation for its forthcoming interim results, Tesco said.

Their publication has now been pushed back from Oct.1 to Oct 23 by the firm's new chief executive Dave Lewis, who said on Monday that an "informed employee" had notified Tesco's legal team of the accounting issue on Friday.

Lewis told reporters four Tesco employees had been "asked to step aside" while investigations continue, but had not been disciplined. He said it was too soon to say whether this was a case of fraud.

The BBC and Sky News reported that Chris Bush, the managing director of Tesco's UK business, was one of the four. Lewis declined to comment on Bush but said Robin Terrell, the firm's multi-channel director, had stepped in to run the UK business.

"We have uncovered a serious issue and have responded accordingly. The chairman and I have acted quickly to establish a comprehensive independent investigation," he said.

Air France suspends low-cost plan in bid to end strike

AFP, *Paris*

French flag carrier Air France on Monday offered to freeze the expansion of its low-cost operation in a bid to end the longest strike at the airline since 1998.

As the strike entered its second week, management said it would halt the development of its leisure subsidiary Transavia until December, unions said, raising hopes of an end to the crisis.

Air France chief executive Alexandre de Juniac said it was "the last offer" and was expected to sketch out a "global plan to exit the crisis" at around 1200 GMT.

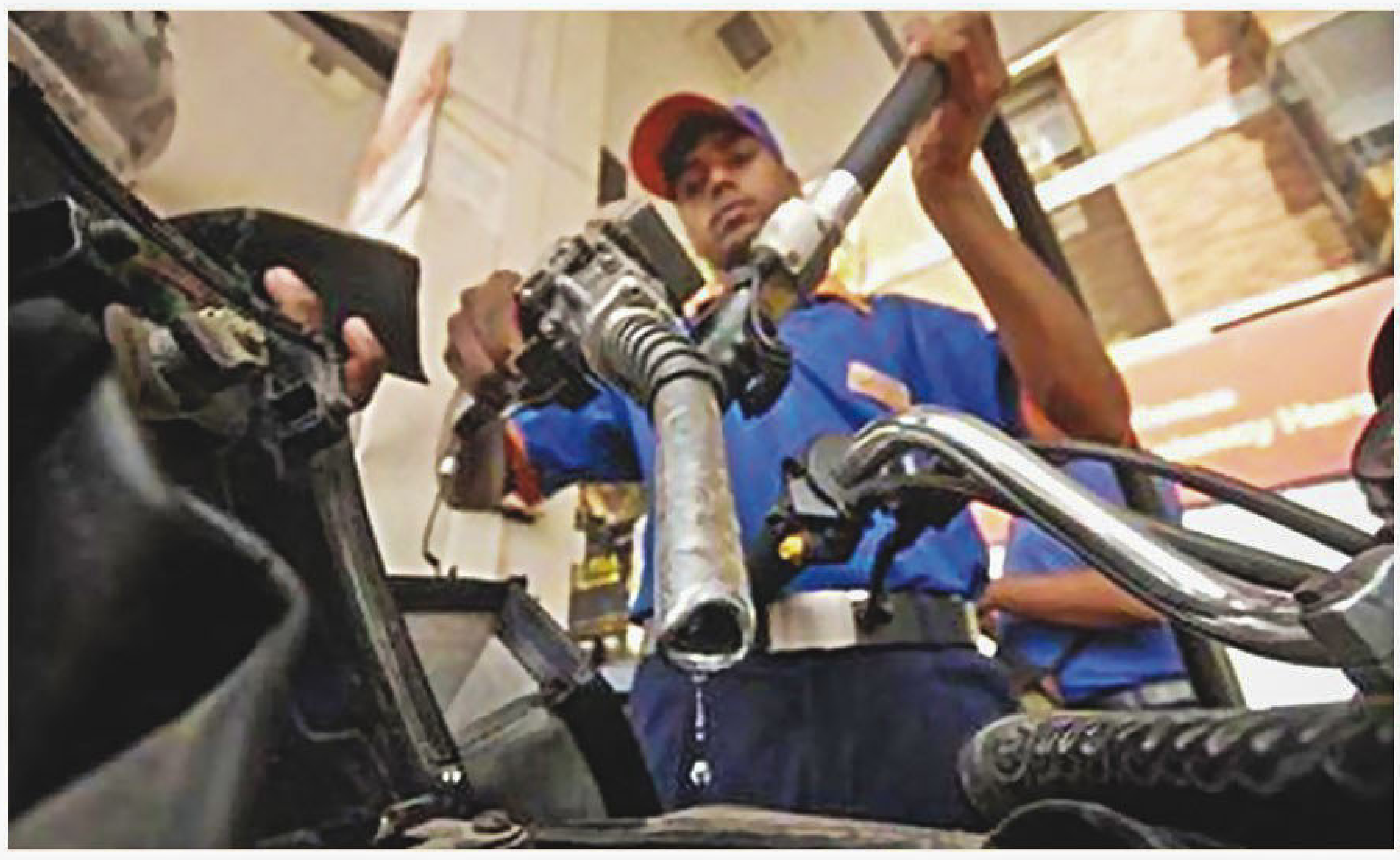
He offered "to suspend the plan to create Transavia subsidiaries in Europe until the end of the year" in order to have "a deeper dialogue" with pilots but insisted the overall project could not be called into question.

Union sources said there was a "softening" of tensions but complained that "the company still has a strong ambition to develop Transavia."

Air France pilots are on strike in protest at the airline's plans to develop Transavia France, which serves holiday destinations, primarily in the Mediterranean.

They fear the airline will attempt to replace expensive Air France pilots, who can earn up to 250,000 euros in annual salary, with Transavia pilots, who are paid considerably less.

Falling crude prices helps India control fiscal deficit



REUTERS/FILE

A worker holds a fuel nozzle at a petrol pump in the southern Indian city of Hyderabad.

REUTERS, *New Delhi*

The finance ministry is increasingly optimistic that it can meet a tough fiscal deficit target, helped by a 12 percent decline in global crude oil prices since Prime Minister Narendra Modi took charge in May.

Lower crude prices mean less government outlay for India, which imports 80 percent of its oil needs - at a cost of $168 billion last year - and subsidizes oil products such as diesel and fertilizer.

"If crude prices remain below $100 a barrel compared with budgeted estimate of $105-$110 a barrel, total oil and fertiliser subsidies would be substantially lower," said a senior finance ministry official, with the direct knowledge of the matter.

Moody's last week lowered the price assumptions it uses for rating purposes on Brent crude oil to $90 per barrel through 2015, which represents a $5 drop from its previous assumptions for 2015.

Finance Ministry and Reserve Bank of India officials are due to meet on Friday to decide how much the government will need to borrow from the markets in the second half of the 2014/15.

The government borrowed 160 billion rupees less than it budgeted in the first half of the financial year, triggering market speculation that the fiscal deficit could end up even lower than the target of 4.1 percent of GDP.

"As of now, the deficit target remains 4.1 percent," said a finance ministry official, who declined to be named since he was not authorized to speak to the media.

The country's top finance ministry official, Arvind Mayaram, suggested at the weekend that the deficit target could be met without the harsh expenditure cuts that have kept the deficit in check in the past two financial years.

"You cannot have three years of continuous expenditure cuts," Mayaram told the Economic Times newspaper in Cairns, Australia, where he attended the G20 meeting. Many economists say the cuts have slowed economic growth.

He said if GDP growth keeps to the pace of the first quarter and remains at 5.6 percent to 5.7 percent in the second half, government borrowing could be lower than budgeted, but said it was too early to take such a decision.

A sustained rally in India's stock markets - the Nifty has risen more than 25 percent this year - is adding to optimism in the finance ministry that revenue from the partial privatization of state-run companies such as ONGC and Coal India will beat the budget.

RBI governor Raghuram Rajan delivered more good news in the form of a cash dividend of 520 billion rupees from foreign exchange trading operations, about 50 billion rupees higher than expected.

But not all is well. Tax collections have been lower than targeted so far this year - thanks to a muted economic recovery and a drought in some parts of the country that has hurt corporate earnings.

Revenues from indirect taxes - mainly comprising customs, service and factory gate taxes - rose just 4.6 percent during April-August period, far lower than annual target of 20 percent.

Asian firms interested to replace western energy majors in Russia

REUTERS, *Moscow*

Asian companies will replace Western majors if they quit energy projects in Russia due to sanctions over Moscow's role in Ukraine, Natural Resources Minister Sergei Donskoi said.

Donskoi told Reuters that Asian companies had signalled their interest as the United States targeted cooperation with Russia in exploring or producing oil from the Arctic offshore, deep water or shale projects. Those companies affected by the sanctions have until Sept. 26 to stop work.

"They (Asian companies) have showed their interest," Donskoi said in an interview at the Reuters Russia Investment Summit.

"We have many companies, not only from the developed countries, but also from developing markets, which are ready to work with us," the minister said.

"They have resources and, in some cases, technologies, which can be adapted and developed here. That's why we have ways to solve the issues and problems related to sanctions."

The remote and unconventional oil deposits are crucial for Russia's goal of maintaining production of crude oil at about 10 million barrels per day and President Vladimir Putin has ordered companies to try to find ways of reducing Russia's reliance on foreign companies for expertise in these areas.

But some analysts say that replacing those companies already involved in exploration would take years, delaying projects which Russia hopes will begin production in around 3-5 years.

On Friday, ExxonMobil said it would stop drilling in Russia's Arctic but had received a short extension from the US Treasury Department to wind down a rig at the well beyond the 14 days outlined in the sanctions.

According to its partner - Russian state oil company Rosneft - Exxon was continuing exploration drilling on Saturday.

Donskoi said Russia had not changed its long-term plans on hard-to-recover oil and was discussing ways to support the exploration sector.

He was confident that Western majors would remain committed to oil and gas projects in Russia after Washington imposed sanctions on Russia's leading energy companies - Russian state gas company Gazprom, its oil arm Gazprom Neft , oil majors Lukoil, Surgutneftegas and Rosneft.

"As to ... foreign companies, which work with Gazprom Neft and Gazprom - nobody has announced their intention of leaving a project," he said.

Asked whether Russia could offer stakes in Gazprom's Siberian gas deposit - Kovykta and Chayanda - to Chinese companies, Donskoi said that should be decided by Gazprom.

On Bashneft, whose owner Russian billionaire Vladimir Yevtushenkov was charged with money laundering last week, Donskoi said he had no complaints as to how it was developing its Trebs and Titov oil deposits in northern Russia jointly with Lukoil.

REUTERS

Photographers take pictures of the Huracan LP 610-4 following its launch ceremony in Mumbai yesterday. The price of the Huracan will start from 34,300,000 rupees ($563,983) for the base model.

Sizzling Dubai property prices cool down

AFP, *Dubai*

Dubai property prices are cooling to "healthy" levels after a two-year rally during which real estate rebounded from a slump when the global financial crisis hit in 2009.

Developers at a property show have rolled out scale models of latest projects, including Mall of the World, a larger-than-life venture announced in July complete with temperature-controlled high streets, a theme park, hotels and a theatre.

Also on display at the Cityscape show on Sunday were models of mansions for sale at a price of more than $25 million apiece.

Dubai property prices have been on a roller coaster over the past 10 years. The market began expanding when it was opened to foreigners in 2002 and peaked at record highs in 2008, driven mainly by speculative investments.

Prices took a nosedive in 2009 as finances dried up in the global financial crisis, shedding half the value of the sector.

But a revival in demand propped up values and rents at breakneck speed, stirring fears of another bubble. Data shows that sale prices surged by 56 percent and rents by 41 percent since August 2012, according to Dana Salbak, senior research analyst at Jones Lang LaSalle (JLL).

"We realise that this was very unsustainable," she said on the sidelines of the annual property show, pointing out a "welcome levelling off" in sale prices and rents in the residential sector in the third quarter of 2014.

"We see the residential market stabilising. This is a healthy and sustainable level. We welcome prices and rents as they are," she added.

A JLL report put growth in sale prices and rents in the third quarter at just two percent and one percent, respectively.

Knight Frank real estate consultancy also noted that prices and rents have cooled down.

"The growth rate has been weakening," after having entered positive territory in mid-2011, the agency said in an autumn report.

It said a government decision to double transfer fees and a central bank cap on mortgage funding, introduced in the last quarter of 2013, were behind the slowdown.

"The government has played a major role in curbing speculation," said Salbak.

In the pre-crisis period, Dubai developers built grandiose projects, turning swathes of the emirate's desert into urban neighbourhoods and business centres.

A combination of investor appetite and available finance led at the time to the launch of scores of projects at the same time, mostly sold off-plan.

It all came to a shreiking halt when investors vanished along with a drying international finance triggered by the crisis. Many projects were cancelled or put on hold.

Developers have learnt a lesson, despite the larger-than-life projects on display at Cityscape, according to Salbak.

"They are phasing out their projects in a longer timeframe and they are trying to secure more resources for funding, instead of relying on off-plan sales," she said.

Mohammed al-Habbai, head of urban planning and infrastructure at Dubai Properties Group, which built several landmark projects, spoke of a change in attitude on the part of developers.

"The market is driven by the end user. Whatever we build, we build it for the end user," he said, hailing a "more mature" governance of the sector.

"There is a huge demand for the real estate market," he said, adding that interest in property is coming from "all over the world."

Indians top the list of foreign investors, pumping 10.2 billion dirhams ($2.8 billion) into the sector in the first half of 2014, according to Knight Frank.

They came second only to UAE nationals who purchased property worth 12.6 billion dirhams during the same period.

AFP

Visitors gather near a scale model of Sheikh Mohamed Bin Rashid al-Maktoum city at the annual Cityscape Global show, which has served in the past as the launchpad for grandiose projects, on Sunday, in the Gulf emirates of Dubai.

Coal import rush leads to port congestion

REUTERS, *New Delhi/Bhubaneswar*

India's power and steel companies are importing shiploads of coal due to a severe shortage at home, leading to heavy congestion in one of the country's busiest ports that now has twice the number of vessels waiting than its available berths.

The over-crowding at Paradip port in Odisha could derail India's efforts to prevent a shutdown of more than half of its power plants which are running on stocks of less than a week in the worst deficit since a massive blackout in 2012.

While Power and Coal Minister Piyush Goyal has urged power firms to bring more coal into India - already the world's No. 3 importer of the fuel, the country's ports are finding it difficult to deal with the swelling traffic.

"We're 100 percent houseful," said GP Biswal, deputy conservator of Paradip port. "We're not able to cope with the sudden increase in traffic."

Half of the 27 stranded ships at Paradip are carrying up to 90,000 tonnes of coal each and it takes up to six days to offload a ship once it is berthed. Biswal said rains in the eastern part of the country over the past few days have hampered operations but there could be an improvement in a week.

Some of the ships are to deliver coal for top power and steel firms like Jindal Steel and Power Ltd, Steel Authority of India Ltd, GMR Energy, Tata group and the Adani group - run by billionaire Gautam Adani. Congestion was higher-than-usual at some other ports too, said Prakash Duvvuri, research head at research firm OreTeam.

Total coal traffic across all ports, including shipments within the country, rose 12 percent in August from a year ago. Paradip port, the biggest state-owned port by capacity, handled 16 percent more coal over the period, according to the Indian Ports Association.

OECD backs Japan tax hike, more easy money

AFP, *Tokyo*

Japan should raise sales taxes again next year despite wobbles in the economy caused by the first rise, and the central bank should cushion the blow with more easy money, the OECD said Monday.

The Bank of Japan must do more "beyond 2015" to support the world's number three economy, said Rintaro Tamaki, deputy secretary general of the Organisation for Economic Co-operation and Development (OECD).

"Japan's public debt has surged in the past few years, in a way that makes it comparable to Greece's," Tamaki told reporters in Tokyo.